

Message Text

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PAGE 01 SOFIA 01772 220754Z

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C O N F I D E N T I A L SOFIA 1772

USDOC FOR BEWT

E.O. 11652: GDS

TAGS: EEWT, ESTC, BU

SUBJECT: THREE LOST EXPORT OPPORTUNITIES

REF: A) STATE 122014; B) SOFIA 1987; C) SOFIA 2032;

D) SOFIA 2238; E) SOFIA 2342

1. WE HAVE RECENTLY BEEN GIVEN BY ISOTIMPEX, THE BULGARIAN COMPUTER FIRM, AN INSIGHT FROM THE BULGARIAN POINT OF VIEW OF HOW EXPORT OPPORTUNITIES HERE ARE LOST. WHILE THE DESCRIPTIONS CLEARLY ARE SOMEWHAT ONE-SIDED, THEY DO SERVE, NEVERTHELESS, AS EXAMPLES OF WHAT COMES TO BE SEEN LOCALLY AS A MAJOR DIFFICULTY OF BUYING FROM THE U.S.

2. FIRST CASE: PLASTIC ENCAPSULATION OF INTEGRATED CIRCUITS. WHEN AMBASSADOR RECENTLY CALLED ON DIRECTOR GENERAL STAMENOV OF ISOTIMPEX, HE INQUIRED WHETHER BULGARIA IS STILL

INTERESTED IN OBTAINING THIS LICENSE. HE RECALLED THIS MATTER HAD BEEN RAISED BY VICE PREMIER POPOV WHEN HE WAS IN US LAST SEPTEMBER, AND SUBSEQUENTLY RAISED AGAIN AND AGAIN HERE WITH INCREASING URGENCY DURING THE WINTER; BUT THAT WE HAD LEARNED IN MAY THAT ROCKWELL HAD NEVER APPLIED FOR AN EXPORT LICENSE. SINCE WE HAD BROUGHT THIS TO ATTENTION OF ISOTIMPEX, WE HAD HEARD NOTHING FURTHER. STAMENOV SAID HIS FIRM HAD BEEN SEEKING THIS TECHNOLOGY FOR THREE YEARS BUT IN ABSENCE OF US RESPONSE

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CONFIDENTIAL

PAGE 02 SOFIA 01772 220754Z

HAD BEEN FORCED TO DEVELOP IT ON THEIR OWN. THEY WOULD

HAVE BEEN WILLING TO PAY FIVE MILLION DOLLARS FOR IT WHEN IT WAS STILL RELATIVELY NEW; IT NEVER HAD ANY MILITARY SIGNIFICANCE SINCE THE BULGARIANS HAD BEEN MANUFACTURING ON THEIR OWN THE MORE DURABLE AND RESISTANT CERAMIC HOUSINGS. THE DEAL IS DEAD DUE TO DELAY.

3. SECOND CASE: TWENTY-FIVE MEGABYTE DISC MEMORIES. ON THIS, STAMENOV SAID, ISOTIMPEX HAD SOUGHT THE TECHNOLOGY FROM CONTROL DATA (CDC). DUE TO DELAY, CDC HAD MISSED AN OPPORTUNITY TO MAKE BETWEEN SIX AND SEVEN MILLION DOLLARS, FOR BULGARIANS HAVE NOW DEVELOPED THEIR OWN TECHNOLOGY FOR THESE MEMORIES. AGAIN, THEY WOULD HAVE PREFERRED A CLEAR "NO" TO BEING KEPT DANGLING, BUT TECHNOLOGY DOES NOT STAND STILL AND ALTHOUGH THEY WOULD HAVE LIKED TO GO INTO PRODUCTION SOONER UNDER AMERICAN LICENSE THEY WERE FINALLY ABLE TO DO IT ON THEIR OWN.

4. THIRD CASE: INTEGRATED CIRCUITS FROM ROCKWELL. THIS, STAMENOV SAID, INVOLVED THREE SPECIAL TYPES OF CHIPS. (ISOTIMPEX IS CONTINUING TO DO BUSINESS WITH ROCKWELL ON OTHER CIRCUITS.) HERE, TOO, THEY WOULD HAVE LIKED TO DO BUSINESS WITH AN AMERICAN FIRM BUT DUE TO DELAY IN WASHINGTON APPROVAL, ISOTIMPEX HAD BEEN FORCED TO CANCEL ITS CONTRACT WITH ROCKWELL ABOUT TEN DAYS AGO AND HAS AWARDED THE BUSINESS TO A FRENCH FIRM. STAMENOV CLAIMED THAT THE CHIPS IN QUESTION ARE FOR RELATIVELY SIMPLE COMPUTERS USED FOR SCIENTIFIC PURPOSES AND DEVOID OF MILITARY SIGNIFICANCE.

5. COMMENT. THE MOST INSTRUCTIVE OF THESE CASES, AND POLITICALLY THE MOST DAMAGING, IS NUMBER ONE BECAUSE OF THE HIGH-LEVEL BULGARIAN INTEREST AND THE REPEATED URGINGS REPORTED IN REFS B, C, D, E AND OTHER COMMUNICATIONS. WE WERE TOLD IN REF A THAT ROCKWELL HAD "MADE AN INQUIRY TO COMMERCE... BUT (HAD) NOT YET FORMALLY APPLIED FOR AN EXPORT LICENSE." THE BULGARIANS SEEM TO REGARD REFERENCE TO ABSENCE OF A LICENSE APPLICATION AS BUREAUCRATIC PETTIFOGGERY SINCE THEY HAD A CONTRACT ALL WORKED OUT WITH ROCKWELL AND FINAL SIGNATURE DEPENDED ONLY ON GRANTING OF AN EXPORT LICENSE; SO THEY CANNOT CONCEIVE THAT ROCKWELL WOULD HAVE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 SOFIA 01772 220754Z

REFRAINED FROM APPLYING FOR SUCH LICENSE UNLESS IT HAD LEARNED INFORMALLY FROM WASHINGTON THAT CHANCES OF APPROVAL WERE SMALL.

6. AS SEEN FROM VANTAGE POINT OF THIS EMBASSY, THE ABOVE THREE CASES HAVE COMMON ELEMENT OF DELAY WHICH SEEMS TO HAVE OCCURRED IN WASHINGTON AND NOT IN COCOM. IN THESE CASES THEY LED TO LOSS OF BUSINESS. BUT DELAYS ARE HARMFUL AND

RESENTED EVEN WHEN LICENSES ARE GRANTED. THE SPEED OF
TECHNOLOGICAL DEVELOPMENT IS SUCH, APPARENTLY, THAT EVEN
LICENSES PURCHASED FOR HARD CURRENCY ARE SOMETIMES
WORTH A GREAT DEAL LESS TO ISOTIMPEX WHEN THEY ARE FINALLY
RECEIVED THAN WHEN THE CONTRACT WAS SIGNED; AND AS A RE-
SULT THERE IS TENDENCY TO RESORT TO FIRMS OF OTHER NATIONALI-
TIES WHERE GOVERNMENT APPROVALS CAN BE OBTAINED MORE
EXPEDITIOUSLY.
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